

AIRGRAM

Pol 2 **EXCISE** 4D
FOR RM USE ONLY

RM/R	REP	AF
1		
ARA	EUR	FE
NEA	CU	INR
4	5	
E	P	IO
r		
L	FBO	AID
		12
AGR	COM	FRB
2	2	
INT	LAB	TAR
	2	
TR	XMB	AIR
2		10
ARMY	CIA	NAVY
10	20	10
OSD	USIA	NSA
24	11	3
	HEW	NSC
	1	6

A-212
NO.

CONFIDENTIAL

AIR POUCH

HANDLING INDICATOR

TO : Department of State

INFO: DHAHRAN CHUSMTM COMIDEASTFOR
USMTM AIR FORCE SECTION USMTM ARMY SECTION

DEPT PASS TO: See list on page four.

FROM : Amembassy JIDDA

DATE: February 2, 1965

SUBJECT: Joint Weeka No. 5 (for the week ending January 31)

REF :

Table of Contents

POLITICAL/ECONOMIC

Page

1. Saudis Reach Agreement with Aramco on OPEC Royalty Expensing Issue

MILITARY

Negative.

PSYCHOLOGICAL

1. English Service on Radio Mecca Faces Crisis

GROUP 3

Downgraded at 12-year intervals,
not automatically declassified.

CONFIDENTIAL

FORM 4-62 DS-323

FOR DEPT. USE ONLY

☒ In ☐ Out

Drafted by:

Contents and Classification Approved by:

Clearances:

BWrampelmeier/SCBlackiston, Jr.

SCBlackiston, Jr.

1c 2/1/65

1965 FEB 5 PM 3 32

COPYFLO-PBR

PASS To Posts
Page 4-
1965

Noted.
2/24/65
INR/RNA/INR
H.S. Ston
FLO

7/1/65

DEPARTMENT OF STATE A/CDC/AR	DATE 1/15/65
REVIEWED BY [Signature]	
RDS [] or XDS [] EXT. DATE []	REASON(S) []
TS AUTH. []	ENDORSE EXISTING MARKINGS []
DECLASSIFIED []	RELEASABLE []
RELEASE DENIED []	IN FULL []

POLITICAL/ECONOMIC

1. Saudis Reach Agreement with Aramco on OPEC Royalty Expensing Issue. Negotiations between Aramco and the Saudi Arabian Government on the royalty expensing issue were concluded on January 25 with the signing of an agreement which was immediately ratified by the Council of Ministers. Royal decrees were issued the same day pertaining to the accord, one of which provides that the additional income derived from the agreement will be allotted to the Economic Development Fund. The agreement is retroactive to 1964 and Saudi Arabia is expected to receive approximately \$34 million supplemental revenue for this year. Rough estimates of the sums anticipated for 1965 and 1966 are \$41 million and \$49 million respectively.

In simplest terms the agreement provides that royalties are no longer to be charged against income tax liability but as a production cost. However the additional cost to the company is to be offset by permitting the company in 1964 an 8.5% discount off posted prices for tax purposes. This discount is to be reduced in 1965 to 7.5% and in 1966 to 6.5%. Subsequent reductions will require new company-government negotiations. (UNCLASSIFIED)

COMMENT: The agreement between Aramco and the SAG came unexpectedly as negotiations had reached an impasse as a result of company insistence on the insertion of some form of "effective arbitration" or withholding of payments provision in the accord in the event of Saudi violation of concession terms. Petroleum Minister YAMANI had refused either such provision but had proposed instead the establishment of a Saudi arbitration court staffed by international jurists to resolve company-government disputes. Yamani's position was upheld by King FAYSAL. The impasse with Saudi Arabia would have had its repercussions on agreements reached or pending with other OPEC countries. Apparently instructions from the shareholders finally permitted the Aramco negotiators to withdraw from their earlier position of insistence on the arbitration or withholding clauses. The Saudi Government for its part did not insist on establishing a Saudi arbitration court. (LIMITED OFFICIAL USE)

ARMCO
JAN 27 1964

relevant



LOGICAL



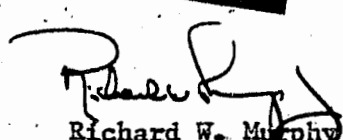
1. English Service on Radio Mecca Faces Crisis. The English language service on Radio Mecca this week encountered the latest and most serious in the series of crises that have afflicted it since it went on the air early this month. The British Assistant Director of the English Service has been fired following the playing over the air of a song from the film Exodus on a recording by the trio Peter, Paul and Mary. The Director of the Service, Michael BIRLEY, thereupon threatened to submit his resignation but has been deterred from doing so by the Public Affairs Officer. Nevertheless, his days at Radio Mecca appear to be numbered and Director of Broadcasting Abbas GHAZZAWI has already asked the PAO whether he can arrange for the contract employment of two Americans as soon as possible to replace the Britishers. (LIMITED OFFICIAL USE)

IRRELEVANT

CONFIDENTIAL

CONFIDENTIAL

Page Four of
A-212, Jidda


Richard W. Murphy
Second Secretary of Embassy

DEPT PASS: ADEN, AMMAN, ANKARA, BAGHDAD, BEIRUT, BEIRUT FOR MELG, BONN FOR
CINCUSAFE, CAIRO, DAMASCUS, FRANKFURT FOR LINDSEY AIR STATION,
ATTN: DSC INTELLIGENCE IDCA, HEADQUARTERS, USAREUR HEIDELBERG; *Army*
KARACHI, KHARTOUM, KUWAIT, LONDON FOR CINCNEELM, RABAT, TALIZ,
TEHRAN, POLAD CINCSTRIKE/CINCMEAFSA.

MacDill AFB Fla

USCINCTRIKE/MEAFSA

AIR for

CONFIDENTIAL